



WASHOE COUNTY

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CM/ACM JS
Finance CH
DA HK
Risk Mgt N/A
HR N/A
Other N/A

STAFF REPORT

BOARD MEETING DATE: June 28, 2016

DATE: June 15, 2016
TO: Board of County Commissioners
FROM: Doreen Ertell, Risk Management Division
328-2660, dertell@washoecounty.us
THROUGH: Cathy Hill, Comptroller
328-2563, chill@washoecounty.us
SUBJECT: Authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of \$242,587 and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of \$483,019, effective July 1, 2016, funding from the Risk Management Fund source. (All Commission Districts)

SUMMARY

We are requesting the Board authorize the renewal of the Excess Workers' Compensation Insurance Policy and the Property Insurance Policy. Both policies are written on an annual term with an effective date of July 1, 2016.

Washoe County Strategic Objective supported by this item: Stewardship of our Community.

PREVIOUS ACTION

On June 23, 2015, the Board authorized the renewal of the above referenced policies for a one year term.

BACKGROUND

The County's broker, Wells Fargo Insurance Services of Reno, Nevada, monitors changes in the marketplace and solicits bids from interested and qualified carriers when appropriate.

Excess Workers' Compensation Insurance. Washoe County has been self-insured for workers' compensation since July 1, 1981. Nevada law requires any self-insured employer for workers' compensation to maintain a policy of excess insurance to protect the employer from large or catastrophic losses.

The incumbent market, New York Marine, has offered to renew the County's Excess Workers' Compensation policy for a premium of \$242,587. This is an increase of 14%

over last year's premium of \$213,220. Rated payroll increased by 3% and the premium rate increased by 10%, due to adverse claim development.

Adverse claim development has also resulted in an increase in the County's self-insured retention (deductible). The expiring policy has a self-insured retention of \$1.5 million for all classes of employment. This year, New York Marine has increased the retention to \$2.5 million for presumptive claims only. The lower \$1.5 million retention will apply to all other occupational injuries.

The coverage offered by New York Marine includes several important endorsements and extensions including high limits of aviation coverage, deletion of the late reporting penalty and a limited Communicable Disease Endorsement with a sub-limit of \$50 million. Subject to policy terms, the Communicable Disease endorsement requires just one retention if more than one person contracts a communicable disease.

New York Marine maintains an A.M. Best's financial rating of A IX which means the management is "excellent" and the surplus for paying claims is \$250 million to \$500 million.

There are a limited number of markets who will write Excess Workers' Compensation Insurance for public entities with presumptive benefits exposure. Wells Fargo Insurance requested quotes from the other markets and received the following responses:

- Arch: declined to quote due to presumptive exposures and claims.
- Chubb: unable to offer competitive terms and pricing.
- US Specialty: quoted a cash flow retention program at a competitive premium, but with additional, longer term risk to the County.
- Safety National: declined to quote due to claims activity.
- Midwest Employers: unable to provide competitive pricing.

Property Insurance. The incumbent market, Public Entity Property Insurance Program (PEPIP), has offered to renew the County's Property policy for an annual cost of \$483,019. This is an increase of 0.14% or \$674 over last year's total cost of \$482,345. The County's insured property values increased by 1.24%, while the overall premium rate decreased by 1.08%.

PEPIP is a property insurance program which has more than 8,700 insureds located in 45 states. The program was started in 1993 and includes cities, schools, universities, airports, seaports, states, districts and hospitals. This program is the largest property placement in the world with approximately \$350 billion in insured values and is administered by Alliant Insurance Services, Inc. PEPIP is designed to provide flexibility for each of the separate entities, allowing them to elect various coverages and deductibles. The placement of this coverage is provided by a combination of layering and quota sharing with assorted Domestic, Bermuda and London insurance companies. These carriers have A.M. Best management ratings of A- or better.

PEPIP is divided into towers which include various other public entities. The County has been placed in a tower with fifteen other members. The insureds in a given tower share a \$1 billion each occurrence limit for the all-risk coverage (i.e. fire). However, the

earthquake limit of \$50 million is specifically purchased by and dedicated to Washoe County. The tower does not include any other northern Nevada entities.

The program provides a broad manuscript form which includes all-risk property coverage, boiler and machinery coverage and terrorism coverage. Limited pollution liability and cyber liability have been included. The program also includes coverage for physical damage to scheduled vehicles both on and off-premises. All buildings over \$5 million in replacement value will be appraised once every five years with no additional cost to the County. Claims are paid by Alliant Insurance Services Inc, located in San Francisco.

FISCAL IMPACT

The total cost for the renewal of the aforementioned insurance policies is:

Excess Workers' Compensation:	\$242,587
Property:	<u>\$483,019</u>
Total	\$725,606

Together, this is a net increase of \$30,040 or 4.3% from FY 15/16 premiums. Sufficient budget authority for the premium expenditures exists in the approved budget for FY16/17 in cost center 195054—account 710595 - \$242,587 and cost center 195053—account 710595 - \$483,109.

RECOMMENDATION

It is recommended that the Board of County Commissioners authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of \$242,587 and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of \$483,019, effective July 1, 2016, with funding from the Risk Management Fund.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:

I move to authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of \$242,587 and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of \$483,019, effective July 1, 2016, with funding from the Risk Management Fund.